

# Phase 1

# Initial Organization



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# PHASE 1 INITIAL ORGANIZATION

## Module 1.1 Basics of Cooperatives

### WHAT IS A COOPERATIVE?

Cooperatives are economic enterprises with a unique operating model. Cooperative enterprise exists, first and foremost, to provide services to members; this is underlined by the following facts. A cooperative:

- *Is owned by those who use its service*
- *Is controlled equally by all member-owners*
- *Has member-owners with a united interest in meeting their common economic, social and/or cultural needs and aspirations*
- *Returns its surplus earnings to member-owners based on patronage, or retains surplus to provide financing essentials for provision of services*
- *Seeks to realize the full potential of co-operation, by promoting cooperative education among cooperatives.*

It is because of these unique characteristics, and underlying purposes, that cooperatives regard themselves as a distinct economic sector.

Cooperatives are created to serve a specific need of a group of individuals or to generate an economic advantage for a group of individuals. Most cooperatives originate from the vision of a few individuals who garner interest and create a "movement to action".

### HISTORY OF COOPERATIVE MOVEMENT

The initial success of the modern cooperative movement is attributed to the Rochdale Equitable Pioneer Society, who in 1844, in Rochdale, England, founded a store that provided basic food items of flour, oatmeal, sugar and butter. Their purpose was to provide basic food items for impoverished workers, who would not otherwise be able to afford them. The cooperative store was successful, and grew to supply other foods and household items.

Many cooperatives start out as grassroots movements that enable people to access affordable goods or services. Cooperatives in Manitoba started late in the 1800s with both consumer and agricultural co-ops. Settlers coming from Eastern Canada, the United States and Europe already had an awareness of cooperatives, which resulted in widespread cooperative success.

Credit cooperatives started forming in Quebec in 1900 and in Manitoba in the 1930's. Examples of cooperatives are: Credit Unions and Caisse Populaire, Manitoba Pork Marketing Co-op Inc., TruServ Canada Cooperative, Red River Cooperative, Granny's Poultry Cooperative and Arctic Cooperatives.

### HOW IS A COOPERATIVE DIFFERENT FROM OTHER BUSINESSES?

Cooperatives are driven by both economic and social concerns. They are community-based organizations that care not only about the bottom lines of their businesses, but about the needs of their members and the quality of life in their communities.

Cooperatives differ from other businesses in three key ways:

*A Different Purpose:* The primary purpose of cooperatives is to meet the common needs of their members, whereas the primary purpose of most investor-owned businesses is to maximize profit for shareholders.

*A Different Control Structure:* Cooperatives and credit unions use the one-member/one-vote system, not the one-vote-per-share system used by most

businesses. This helps the cooperative serve the common need rather than the individual need, and is a way to ensure that people, not capital, control the organization.

*A Different Allocation of Profit:* Cooperatives and credit unions share profits among their member-owners on the basis of how much they use the co-op, not on how many shares they hold. Cooperatives also tend to invest their profits in improving service to members and promoting the well-being of their communities.

## COOPERATIVE PRINCIPLES

Principles of the cooperative sector have been developed from the earliest cooperatives when people first pooled their resources to provide for their own needs.



***Here are the seven internationally recognized cooperative principles that have been developed over time and are still in use today:***

### **1st Principle: Voluntary and Open Membership**

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

### **2nd Principle: Democratic Member Control**

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

### **3rd Principle: Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their cooperatives. At least part of that capital is usually the common property of the cooperatives. They usually receive limited compensation, if any, on capital subscribed as a condition of membership.

Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperatives; and supporting other activities approved by the membership.

### **4th Principle: Autonomy and Independence**

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperatives autonomy.

### **5th Principle: Education, Training and Information**

Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of co-operation.

### **6th Principle: Co-operation among Cooperatives**

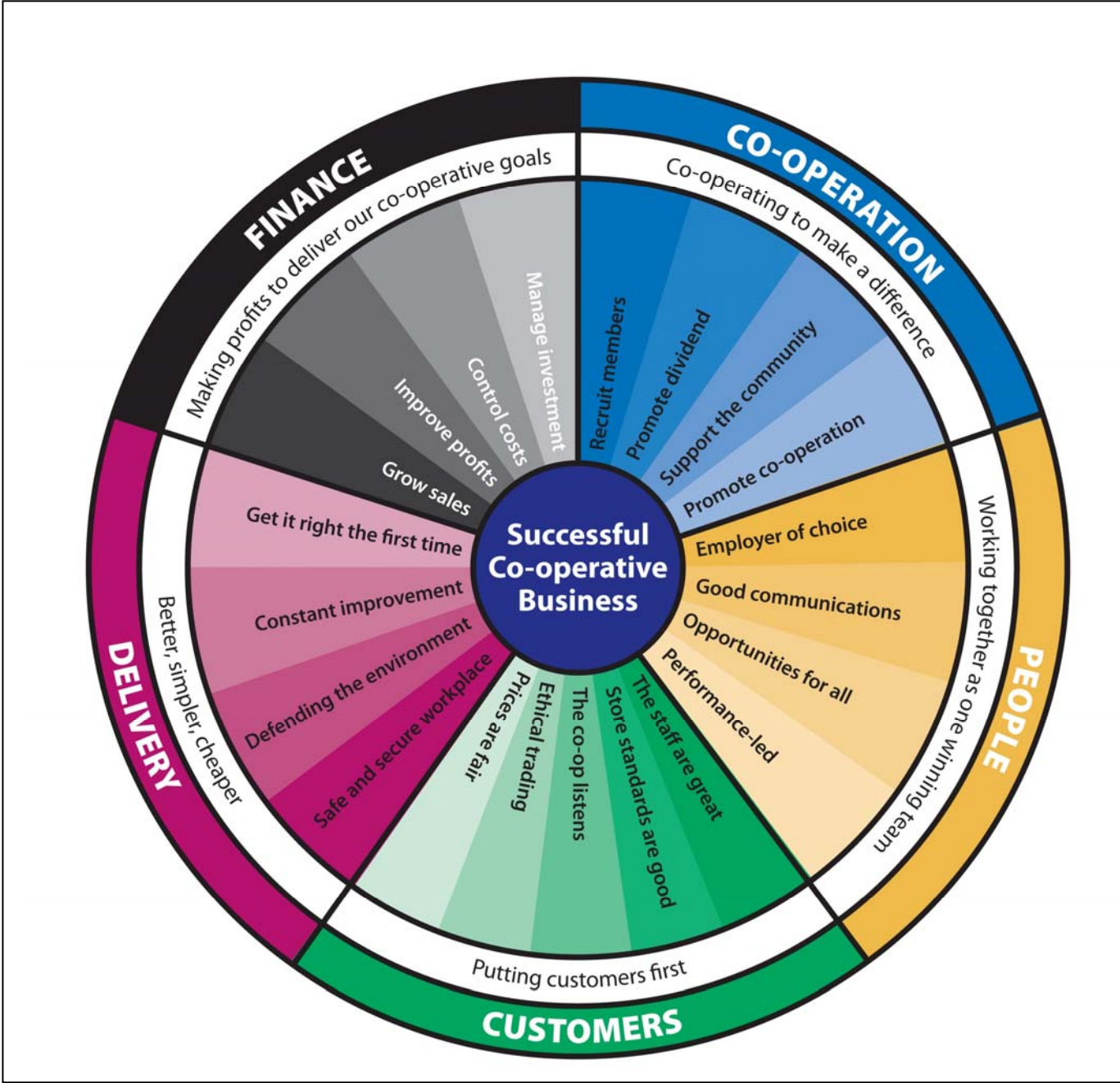
Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

### **7th Principle: Concern for Community**

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

**Sound Cooperative Business Practices**

In order for the cooperative model to succeed, 5 key sound business practices must be evident in the business model. These areas have been identified as Co-operation, People, Finance, customers, and Delivery. We have identified issues that need to be resolved to make any cooperative a reality in the Canadian marketplace.



## OVERVIEW OF COOPERATIVE GOVERNANCE

Generally speaking, boards have six different functions.

### 1. Prime Decision Centre Function

While the cooperative membership may be considered to have ultimate authority, the board is vested with the overall management and leadership responsibility in the cooperative. A cooperative must have one decision centre for the co-ordination of the enterprise. The board of directors is that authoritative centre. The board sets the strategic direction.

### 2. Advisory Function

The board acts in an advisory capacity for both the management and the membership, collectively or individually. Board members are elected to represent members, and as such their background and expertise can be a valuable source of information, advice and counsel. The board is a sounding board representing the members.

### 3. Function

The board represents the member shareholder owners and provides stewardship on their behalf. The board functions as a trustee for the members, creditors and the general public by assuming responsibility for the effective administration of the cooperative.

### 4. Perpetual Function

A fundamental task of the board is to provide for the continuity of the cooperative. This is achieved by making sure that capable management is employed, effectively guiding management and making certain that a capable, effective board continues to direct the cooperative's efforts.

### 5. Symbolic Function

The directors and the board are considered to be a symbol of strength and leadership capable of directing the cooperative to meet its goals. This function goes beyond the cooperative itself and permeates the community, industry and institutions with which the cooperative deals.

### 6. Continuity Function - The responsibility of the Board of Directors to replace themselves.

These areas of accountability reflect their function and the cooperative principles. There is a wide range of governance models depending on the cooperative type, size, maturity and, in large part, director decisions regarding how the board will conduct business.

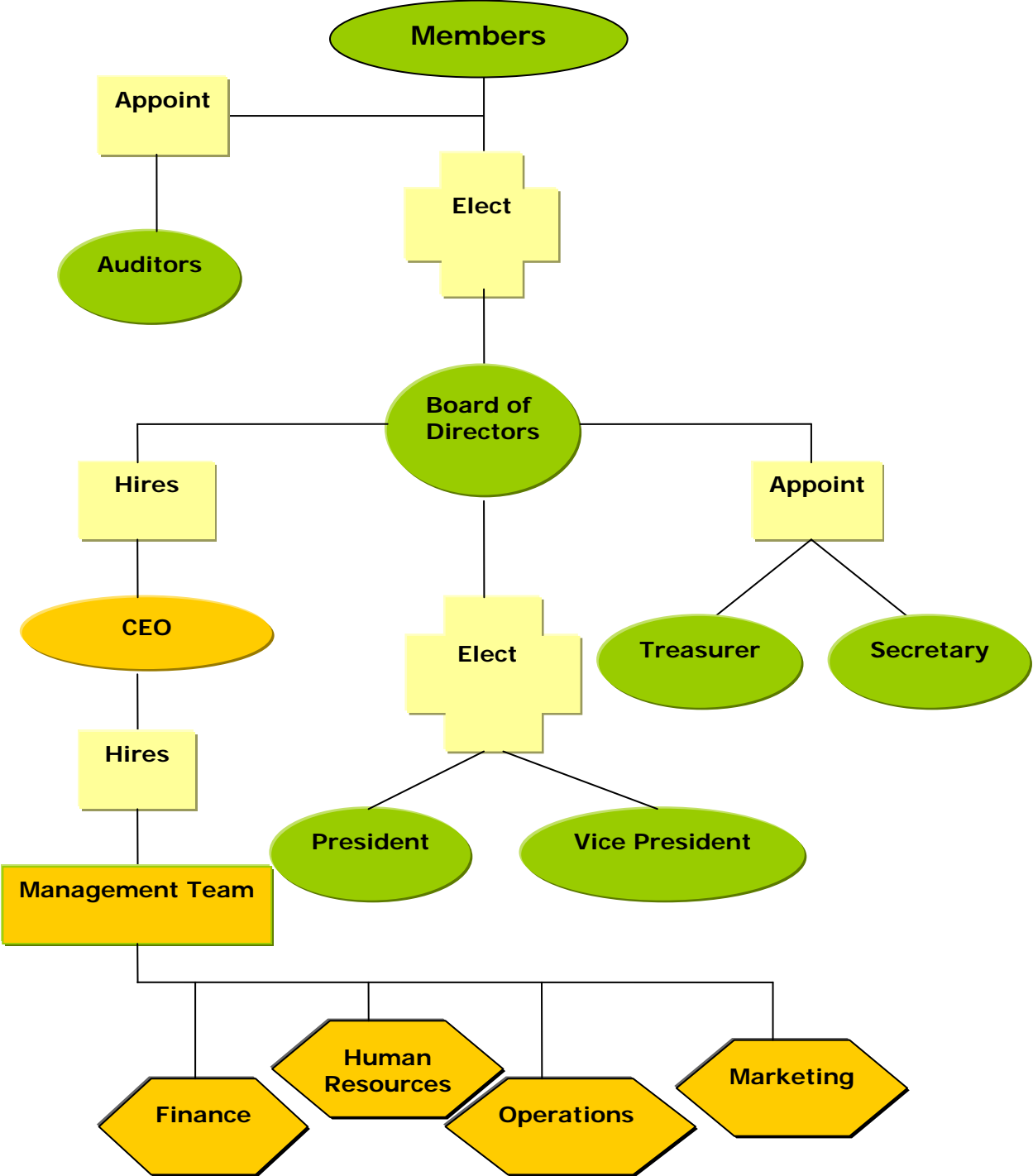
#### ***Critical Thinking***



Cooperative governance is not unlike corporate governance. Like corporations, directors to the governing board are elected by shareholders, but in the case of a cooperative the consumers – usually all of the consumers -- are members (non share co-ops).

While this makes cooperative boards more sensitive to community needs, from a structural point of view it is not unlike a non-cooperative business. Having member-owners does, however, change the nature of a director's role in practice.

**Fig 2: Cooperative Organization Structure**



## **STEPS IN CREATING A COOPERATIVE**

### **Step 1: The vision or idea**

The first step in creating a new cooperative is an idea that a specific need could be met or better met by working together. Examples of this would be ideas where significant advantage could be gained by group purchasing, marketing, and production or processing.

### **Step 2: Garnering support**

The second step is to communicate the idea or vision to individuals who may have an interest or be in a position to gain an advantage. This generally begins with one on one or informal small group (i.e. coffee shop) sessions that result in a meeting or series of small meetings.

### **Step 3: Building the basics**

The group or selected leaders of the group begin to investigate cooperative options and communicate with other cooperatives or cooperative organizations. The principle of co-operation among cooperatives also extends to potential cooperatives. The group or selected group members begin to articulate the vision that outlines the benefits and provides some basic preliminary projections.

### **Step 4: Determining the requirements**

With assistance from cooperatives, cooperative trade associations and/or government officials, the group needs to determine the legal and other organizational components required to form the new cooperative. The group also needs to generate a basic overview of the membership and capital investments required to make the organization viable. In some cases the group may proceed to a formal feasibility study at this stage, but most often the group will require some funds to migrate to that stage. Often a brief business outline is sufficient at this stage.

### **Step 5: Communication**

The group is now in a position to present the vision and business outline to the intended member group for feedback and support. Most often attendees are asked to express interest formally or informally by providing some financial contribution to move the process forward.

Assuming that there is sufficient support, the group can move forward with a feasibility study, draft By-laws. These requirements will vary depending on the size, type and purpose of the cooperative.

### **Step 6: Preparation**

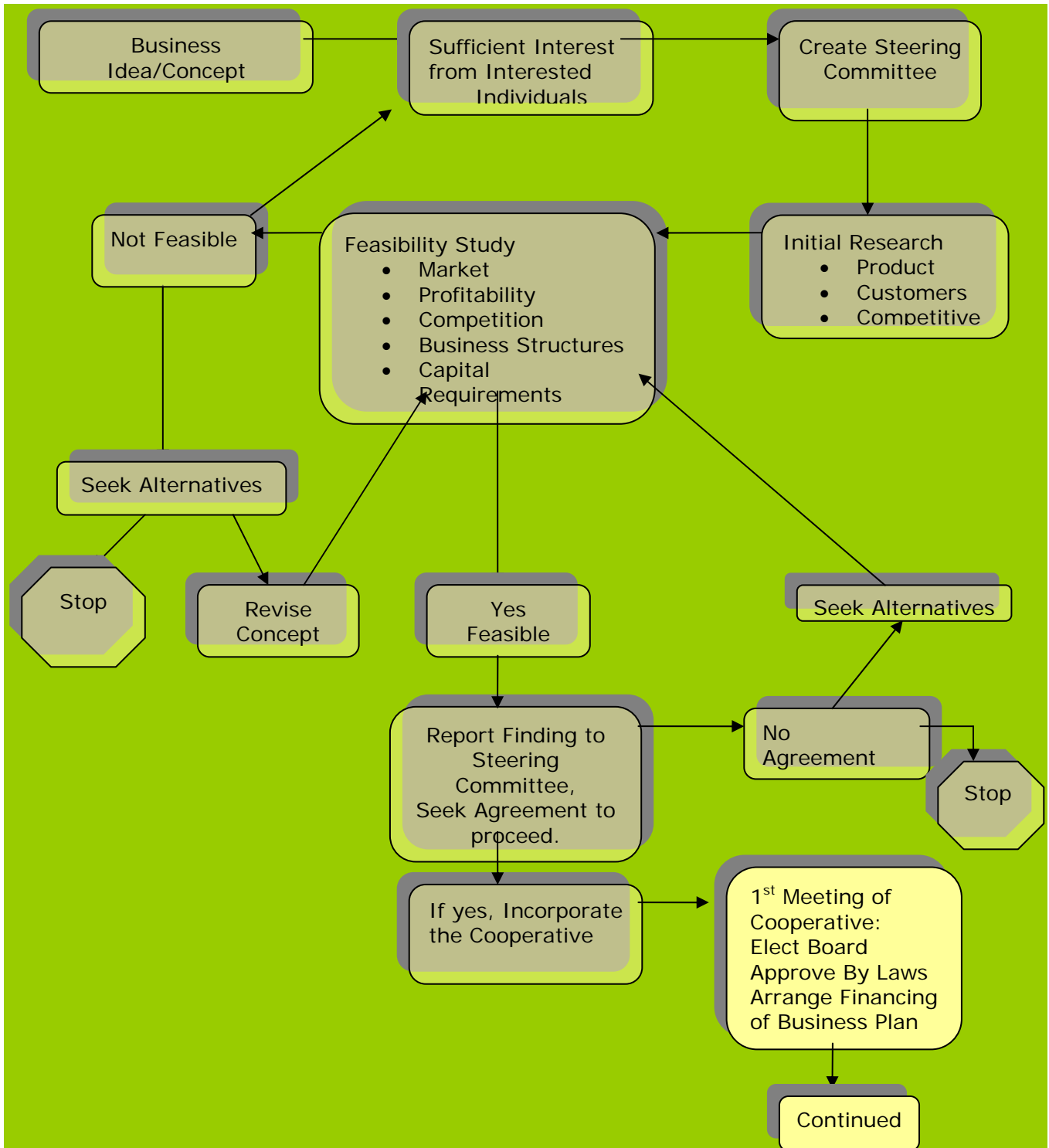
Whether a feasibility study is prepared early or late, it is important to have and communicate available information to ensure that members (who are also the potential investors) are not investing blindly. Most potential cooperatives require assistance in the development of a feasibility study. It is also likely that the group will need legal assistance for such items as Bylaws and Articles of Incorporation. The resulting information must be clear on financial contributions, risks and obligations being requested of potential members.

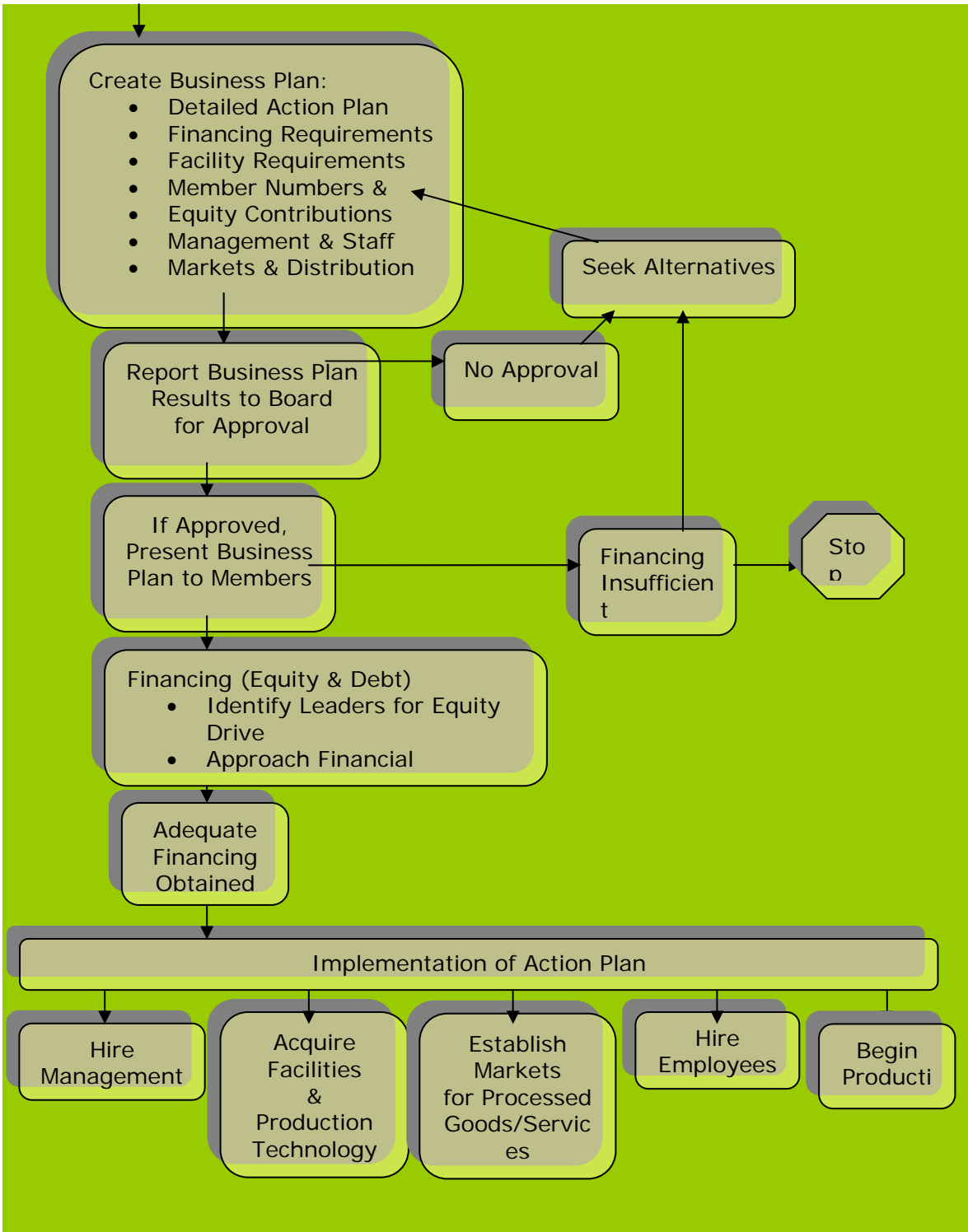
### **Step 7: Initial Meeting**

The plans, the benefits and the financial requirements are communicated at an open or targeted public meeting called specifically for that purpose. Attendees are asked to join the cooperative, Bylaws approved and the Board of Directors elected. By-laws can only be put in place after incorporation by a vote of members. Once in place, the cooperative can begin to build the enterprise.



8. Fig 3: Establishing a Cooperative – Decision Making Process





## Module 1.2: Introduction to Project Management

The challenge of managing a start-up cooperative business is one that is steeped in many dimensions ranging from working with consultants, analyzing feasibility studies, and human resources management to board governance, from community relations and market presentation to first year operations. Often, to these needs, the list of priorities can be overwhelming.

While some of these challenges can be viewed as unique to cooperatives, they are not unlike general challenges of management. In any context, it is important to keep the management process simple in order to be effective. Most importantly, they have a need for effective project management. By clearly defining the process in starting a cooperative, cooperatives will be better able to compete and survive in the marketplace.

### WHAT IS A PROJECT?

A project is temporary in that it has a defined start and finish date. Occasionally some operational activities can be managed as a project, providing they meet the above characteristics.

### WHAT IS PROJECT MANAGEMENT?

Project management is the application of knowledge, skills, tools and techniques specifically developed for project activities, to meet the project requirements.



#### Project management knowledge addresses nine key areas:

1. Integration Management (managing multiple related tasks)
2. Scope Management (agreement and focus on the limits of a project)
3. Time Management
4. Cost Management
5. Quality Management
6. Human Resource Management
7. Communication Management
8. Risk Management
9. Procurement Management

A project plan is a formal document used as a guide to direct the project team through the execution and controlling of a project. The main purpose of a project plan is to define and document the scope of the work to be undertaken, the desired outcomes for the project, as well as assumptions and decisions made in its preparation.

It is critical to spend time clarifying the outcomes of a project, as well as its scope. It can be very difficult to manage a project if outcomes are fuzzy or there is no agreement on scope.

#### **Critical Thinking**



To define outcomes, ask yourself, "*Why are we starting this? What do we want to be different as a result? How will we know we have finished?*" These questions help define outcomes and allow us to communicate them effectively.

To define scope, ask yourself, "*How big will this project need to be? What will we take on to get our outcomes, and what are we unwilling to take on (for reasons of cost, time or other factors)?*"

The primary tools of project management are a timeline and a budget.

A realistic project timeline is a very helpful planning tool. The timeline will be modified a number of times, but it should be developed and used from the beginning of the project.

Cooperative start-up projects typically have four stages, with each stage having a number of components -- many of them occurring simultaneously.

<b>Development Timeline</b>			
<b>Stage I</b>	Feasibility	Commitment, planning, strengthening, positioning, initial contacts with lenders, site search and securing	(3 months - 3 years)
<b>Stage II</b>	Preparing for Construction	Leasehold Improvements or Design, bids Financing	(2-6 months)
<b>Stage III</b>	Leasehold Improvements or Construction		(2 - 6 months)
<b>Stage IV</b>	Prepare for Opening		(1 - 2 months)
Note:	End of Stage I -- Sign lease or purchase agreement with contingencies End of Stage II-- Close on financing, remove contingencies, final decision point. No turning back!		

The plan also outlines:

- budgets,
- schedules,
- communication processes, and
- Risks associated with performing the work.

The plan should clearly define:

- who does what,
- When tasks must be completed by, and in what order, to achieve the desired deliverables and outcomes.

### **PROJECT DELIVERABLES**

Deliverables are tangible outcomes (such as a product, service or result of an activity) produced as a result of the project. For example, a key document that requires a decision by management in order to move a project forward is a deliverable.

There are two types of deliverables, internal and external.

- Internal deliverables are things created as a result of the project execution, such as documentation, new or updated processes.

- External deliverables are those deliverables required by clients or stakeholders, such as monthly project reporting updates.

### **PROJECT STAKEHOLDERS**

Project stakeholders are people or organizations who have some interest in or impact on the project. Within a cooperative startup they could be:

- someone who is actively involved in or with the project
- someone who is positively or negatively impacted by the completion of the project, or
- someone who may impact the project either positively or negatively.

Internal stakeholders could be managers, employees or administrators, while external stakeholders could be suppliers, members, community groups, government or regulatory agencies.

### **ROLES AND RESPONSIBILITIES**

Defining roles and responsibilities for all project stakeholders and team members is critical to the success of any project. Clearly defining expectations, authority and what their role is removes any ambiguity as to who does what, when and why.

### **BUDGET CONSIDERATIONS**

Effective budgeting is critical to any project. Estimating the cost of all the resources (personnel and material) required to complete a project not only provides management with a dollar figure to allocate, but also serves as an effective metric in measuring project success.

A critical measurement for all projects is to complete the project on time and within budget. Clear definition of the scope of the work to be undertaken is key in understanding the resources, material and effort required to complete the work.

### **PROJECT MANAGEMENT POSITION**

What does it take to be a successful project manager for a cooperative startup project? Foremost, it requires a person with enormous dedication and perseverance to see a project through from start to a successful finish. These projects are very challenging and consuming of energy and resources. Skilled management is required to develop and effectively utilize those resources in a responsible and timely manner, while building and sustaining positive energy throughout the project.

The obvious candidate for a project manager is a member of the cooperative steering committee. This individual should be able to provide the required leadership and focus the project requires. If one is not available then the general manager (or management) should hire or contract with a project manager who will report directly to the steering committee. Potential candidates include professional project managers or consultants, or a candidate found or recruited through an open hiring.



### Key qualities

A project manager for a cooperative startup project should have skills and qualities in the following areas:

- **Organization and decision making:** Be well organized and able to achieve timely and successful results. Demonstrate an ability to manage multiple tasks and focus, both within the project and in addition to the project. Be able to work independently and be self motivated, without becoming lost, isolated, or unaccountable. Be a creative and effective problem solver and a timely decision maker, knowing when and how to seek appropriate support, both within and outside the co-op. Seek and coordinate professional advice and services.
- **Leader and champion:** Serve as a strong and credible leader and champion for the project. Be an effective team builder throughout the project, promoting excitement and good energy among a diverse group of stakeholders and supporters. Respect, praise, and cultivate all participants. Motivate, and push the project as needed, again, with respect, honesty, positive energy, and a desire to learn more every day.
- **People skills:** Demonstrate effective people skills and clear communication to all involved in the project. Be flexible and responsive. Delegate responsibility and authority with successful results. Be an effective negotiator and fund raiser at all opportunities.
- **Analysis and financial management:** Bring appropriate analysis into the project as a means to test and support your good intuitive judgment. Have a full overview of the project's financial goals and status in your head, and provide effective and timely financial management of the project.
- **Commitment and humor:** Offer strong commitment to your task, combined with common sense. Have or acquire an abundant sense of humor. Enjoy yourself as well as others.

### Formidable challenges

Major challenges a project manager will encounter:

- Combining project management with one's regular job. Don't take on the impossible.
- Becoming isolated from the organization.
- Managing stress and sustaining positive energy.
- Developing clear channels of accountability and support within the steering committee.
- Developing an effective base of outside support and assistance for a project manager.

### PROJECT LIFE CYCLE

Cooperatives usually divide large projects into phases to improve control, monitoring and assign responsibility appropriately. The phases can be broken out based on key deliverables, resource availability, or any number of logical groupings that fit the organization's goals.

The project phases are collectively known as the project life cycle.

***Critical  
Thinking***



The project phases are usually marked by the completion of one or more pre-determined deliverables.

A *deliverable* is a tangible and verifiable work product such as a prototype, feasibility study or report. A deliverable, although it can be read or seen, may not be the end outcome of a project in itself. It is more likely to be a piece of the end outcome or contribute to it.

Project phases are ordered in a logical sequence. Each project phase usually has one or more defined deliverables associated with it. For example, phase 1 of a project may be defined as the hiring of a consultant or the completion of the feasibility study. Once this is completed, the cooperative would review the study and determine whether further project work is warranted, prior to any work starting on phase 2.

### **PROJECT MANAGEMENT PROCESSES**

Project management processes can be organized into five groups:

- Initiating Process – authorizing the startup of the project or phase
- Planning Process – defining and refining the project outcomes/ objectives; selecting the best course to take to achieve them; getting signoff and agreement from the team to take responsibility for their parts
- Executing Process – coordinating the people and resources required to complete the plan
- Controlling Process – ensuring objectives are met by monitoring and measuring progress; identifying variances from plan and taking corrective action as required
- Closing Processes – acceptance of the results of the project or phase; declaring the project completed

Processes are linked by the results they produce. The output from one phase is usually the input to the next phase.

### **PROJECT CHARTER**

The project charter is a document that formally authorizes a project. The project charter should include the business need to be addressed and a description of the product, service, or other outcome, to be created.

### **PROJECT SCOPE**

Project scope management includes the process required to ensure that everyone understands the size of the project; that is, the charter needs to identify all the work and only the work required to get the desired outcomes. It is primarily concerned with what is and what is not included in the project. There are 5 project scope management processes:

- Initiation – authorizing the project or phase
- Scope Planning – development of a scope statement to be used as a basis for all future project decisions.
- Scope Definition – dividing the major project deliverables into smaller more manageable components.
- Scope Verification – formal acceptance of the scope document.
- Scope Change Control – controlling changes to the project scope.

**Critical Thinking**



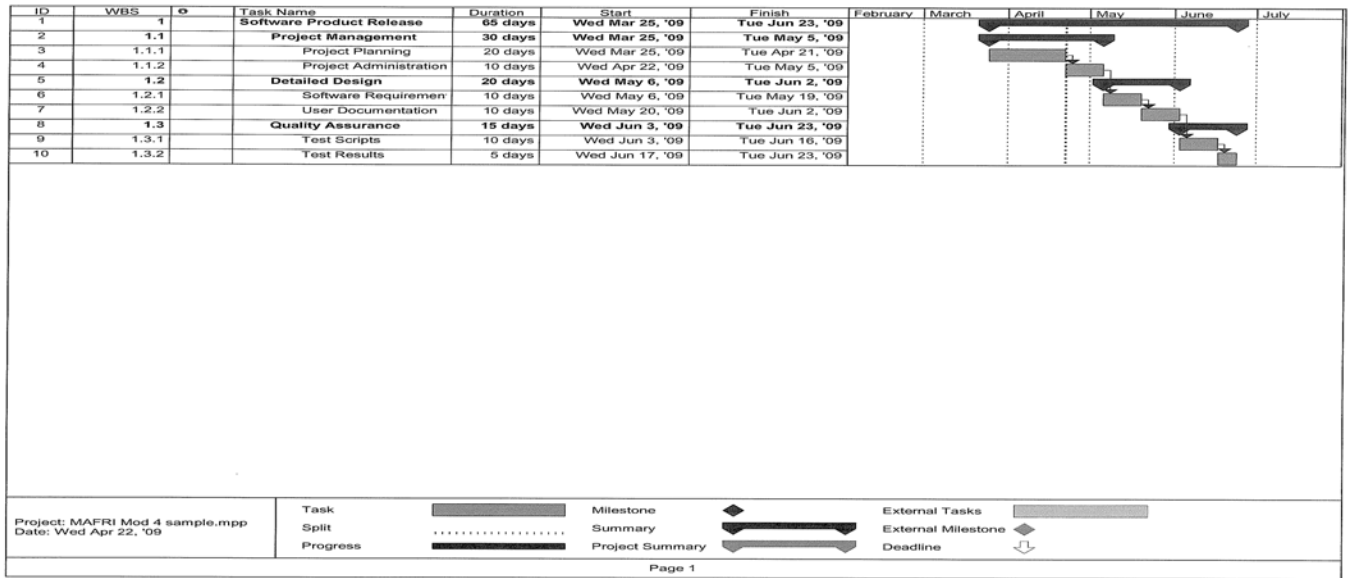
**Outputs from the initiation process are:**

- A project charter,
- The assignment of a project manager,
- A list of constraints (factors that will limit the project team's ability to complete the project satisfactorily) and
- A list of assumptions (factors that, for planning purposes, are considered to be true, real or certain).

**WORK BREAK DOWN STRUCTURE (WBS)**

The work breakdown structure or WBS is a grouping of project deliverables and tasks that define the scope of the project; it is organized by deliverable, and work that does not appear in the WBS is out of scope for the project.

The WBS is a graphical representation of the work to be undertaken to achieve the desired deliverables or outcomes. Each descending level of the WBS describes a more detailed description of the work. In a formal WBS, each task is assigned a unique identifier that can be used to provide a hierarchical summary of costs and resources. The WBS can take on different degrees of sophistication, as appropriate to the audience, or to the organization's understanding of project management. Below is an example of how a WBS can be represented.



The level of detail shown in a WBS should be sufficient that the people using the document have a clear understanding of the work to be done, by whom and when.





Consider a simple example, that of replacing an electrical plug in a room. If a qualified electrician were doing the work, then just identifying the plug to be replaced would be sufficient, as the electrician's training and certification would provide him or her with the knowledge and steps to be taken to perform the work. If you were employing an apprentice with limited experience, the detail required would be much greater:

- 1.0 identify the plug to be changed,
- 1.1 locate the breaker associated with the plug,
- 1.2 turn the breaker off
- 1.3 ensure power is off
- 1.4 remove plug cover plate,
- 1.5 save cover plate and screws,
- 1.6 remove screws holding plug in wall Etc.

### Monitor and Control of the Project

Project performance must be monitored and measured on an ongoing basis to ensure that variances to the project plan are identified early, and corrective action is taken, if required.

Variances to the plan must be input to the controlling processes of the various knowledge areas. Corrective action or adjustments to the plan must be made using the appropriate planning processes.

#### ***Critical Thinking***



A delivery date that is going to be missed by of a couple of days may not warrant an adjustment to the plan. A delivery date that is going to be missed by a couple of weeks, however, may require plan adjustment. Such an adjustment could include adding of more resources to the project to ensure that final dates will be met, or alternatively, changing the expected dates of completion.

*Keep in mind the "triple constraint" theory: a change to schedule (delayed delivery date) will affect either the project cost or the project scope. In this example, the addition of resources to the project to ensure that there is no further delays will affect the cost component (because adding more people to the project increases the cost to the cooperative).*

### COST MANAGEMENT

Cost management is the set of processes required to ensure that a project is completed within the approved budget. The major processes within cost management are:

- Resource Planning – what resources (people, equipment, tools) are required, and in what quantity
- Cost estimating – the cost of all the resources required by the project
- Cost budgeting – allocating the cost estimate to the various tasks, at a level that is useful for management
- Cost control – controlling changes to the cost budget

## HUMAN RESOURCES MANAGEMENT

Human resources management, within a project, addresses the processes required to make the most effective use of the people involved in the project. As is the case for other processes discussed here, the level at which this is addressed will depend on the size and sophistication of the project. At the very least, it is important to have a basic plan in this area, because it is the people on the project team who will create its success.

Human resource management for projects involves the following processes:

- Organizational Planning – identification and documentation of roles, responsibilities and reporting relationships
- Staff Acquisition – acquiring the people needed to work on the project
- Team Development – development of individual and group competencies to enhance project performance

## COMMUNICATION MANAGEMENT

Communication management for a project covers the process required to ensure the timely and accurate collection of project information, and its dissemination, storage and distribution. A very large project may have its own communication specialist(s). Communication management involves the following processes”

- Communication Planning – describing who needs what information, when they need it, who will deliver it and through what media.
- Information Distribution – making information available to the team and others, as per the plan
- Performance Reporting – collecting and distributing project performance reports
- Administrative Closure – collecting and distributing information to formally close off a project or phase.

Communication planning involves understanding what information is required by whom, when they require it and how it will be delivered.

## RISK MANAGEMENT

Risk Management is the process of identifying, reviewing and responding to project risk. It includes reviewing the probability of and impact of positive events as well as minimizing the probability and impact of negative events that may occur.

Inputs to project risk management are:

- Risk Management Planning – how to approach and plan for risk
- Risk Identification – determining what risks may have the greatest impact on the project
- Qualitative Risk Analysis – analysis of risks and conditions, and prioritizing their possible impact on the project
- Quantitative Risk Analysis – the probability of a risk occurring and estimation of the risk’s impact on the project
- Risk Response Planning – development of monitoring and control plans to manage the identified risks
- Risk Monitoring and Control – ongoing monitoring of risks, identification of new risks throughout the project life cycle

### *Critical Thinking*



What can we do about risk?

We need to think about how likely a risk is to occur, and what we can do to prevent or mitigate that occurrence.

This document will outline:

- The methodology to be used to manage risk
- The roles and responsibilities of the personnel assigned to manage the plan or individual risk
- Budgets for the management of the plan and contingency plans that may be acted on if required
- The timing of risk reviews for the duration of the project
- How risks have been scored and evaluated
- Thresholds that will be used to determine when contingency plans will be activated.
- Reporting formats defining how the risks will be monitored and reported on to the project team
- Tracking documents for recording how risks will be documented for the present and all future projects.

Risk categories should be well defined and accurately represent the project work being performed. For example, a project may need to consider:

- technical risks (reliance on unproven technology),
- project management risks (poor time allocation, poor use of project management disciplines),
- organizational risk (funding, priority of projects, different expected goals, unclear project support, objectives, outcomes),
- external risks (regulatory changes, labor issues)

Project type is about the work being undertaken. If the project is a common or recurrent project for the organization, there will be a better understanding of the risks involved. If the project is a new endeavor, using new or state of the art technology, or skills that are new to the organization, there is a greater uncertainty and higher risk. Data precision describes the extent to which a risk is known and understood. It describes the amount of data available on the risk and its reliability. Assumptions identified during the risk identification process should be made clear and their own risk evaluated.

## **PROJECT CLOSEOUT**

The information in the project archive improves future project efficiency by creating repetitive processes that can be utilized in the future. This will only happen, though, if the organization is intentional about reviewing its project experiences and sharing its insights from them.

1. Project Plan
2. Change requests
3. Project status report
4. Client sign off
5. Project Budget sheet

## **19. SUMMARY**

The challenges confronting startup cooperatives require innovation and a commitment of resources to focused projects. Project management in a broad sense can fit well with and serve cooperatives. Well-managed projects of all kinds, from large to small, can improve the quality of life and opportunities for growth and success within cooperatives.

## Module 1.3: Preparing To Hire a Consultant

Preparing to hire a consultant has a number of planning components to make the working relationship as productive as possible, while maintaining focus, achieving your objectives and keeping costs within expectations.

### DEVELOP OBJECTIVES

Understand what is it you want a consultant to do. Consider the expertise or skills that you need, that you don't already have on your team. Consultants include a variety of specializations:

- Legal
- Financial or Tax
- Project Management
- Market Knowledge/Research
- Human Resource Management
- Technology
- Marketing or Branding
- Strategy or Business Planning
- Business Process Improvement
- Training
- Government relations
- Generalists
- Many other areas

After considering the expertise needed, you should be able to outline some broad objectives for the consultant.

- State your goals in the form of outcomes you want to see for your organization. These could include:
  - having the answers to a list of specific questions
  - setting up or establishing a specific function
  - recommended solutions to a problem
  - an outline of a marketing plan for your organization
- Outline a timeframe for achieving these outcomes
- Consider your budget for these outcomes
- Consider any other criteria you may have for hiring someone to assist you.



Considering the expertise needed will provide you with the framework you need to develop a Request for Proposal, which will give prospective consultants enough information to provide you with a proposal for the work.

### WHAT IS INCLUDED IN A REQUEST FOR PROPOSALS (RFP)?

- An RFP is used to find and hire a person or company to perform a specific function or provide a specific commodity. It lays out your requirements so that the supplier can provide a proposal that is specific to your needs. It allows multiple suppliers to compete, on a fair basis, for your business. The better your communication in an RFP, the more accurate, and comparable suppliers' proposals will be.

### TO PREPARE AN EFFECTIVE RFP:

- Know your target audience (e.g. potential suppliers).
- Consider what the supplier needs to know about the opportunity and expectations.

- Consider defining terminology to ensure everyone understands what was intended (e.g. technical terms, industry specific language or acronyms).

RFP require some basic pieces of information that notify and inform suppliers of your needs and provide the selection criteria and parameters that you will use to assess the proposals. The following is a broad outline of RFP components:

#### **Common Components of an RFP:**

- Invitation for consultants or suppliers to bid on the opportunity (covering letter)
- Title page includes the nature of work, contact information, and the proposal closing date/time
- The introductory section outlines the background of the organization requesting a proposal and the objectives or purpose of the requested work. The introductory section can include a list of the terminology and definitions.
- Outline of service or work requirements, including expected due dates, expected timelines and pricing structure. There may also be a description of terms and conditions for how your organization will be administering the RFP process.
- A description of the requested format and delivery instructions which allow for simplified, consistent review of the proposals.
- An overview of RFP conditions (the criteria that you will use for selection, any *minimum* conditions that must be met).

#### **FINDING CONSULTANTS**

Consultants can be hired to provide knowledge and skills that do not exist on your team or to give your organization a fresh perspective. Locating a consultant with the appropriate knowledge, experience and skills may require some effort.



Remember - When hiring a consultant for your organization, it is prudent to seek proposals from multiple candidates to ensure you are getting the best match for your needs.

#### **SCREENING POTENTIAL CANDIDATES**

After receiving proposals from consultants, there are a few steps to follow to narrow your selection.

- Review the proposal against the selection criteria identified in the RFP
- Review the credentials of the consultant.
- Call all the references and ask detailed questions. Some questions could include:
  - What work did the consultant do for you?
  - Were you satisfied with the work? Why or why not?
  - How effective was the relationship between the consultant and your organization/ staff?
  - Other in-depth questions about the type or result of work (if not proprietary)
- If you have a significant number of proposals, you may wish to wait and contact references after you have narrowed the field further, or even after you have met and interviewed a short list.
- Consider the consultant's track record.
- Consider the ability of the consultant to achieve your identified objectives.

### ***Critical Thinking***



Once information has been obtained from the references, determine whether the understanding of the needs, the approach to the work and the discussion of quality match your requirements.

Establishing a grading system may assist you in ranking your preferred consulting candidates. Use grades for ranking all areas: RFP selection criteria; Credentials; Reference feedback and; Cost, Timing, Perceived ability to meet any other RFP objectives. You may choose to weight certain criteria more highly than others.

At this point you should have a 'short list' of candidates you wish to meet in person.

## **MEETING THE CANDIDATES**

Narrow down your selection of consulting candidates and identify which ones you would like to meet. Meeting the consulting candidates will help you identify someone with whom you feel comfortable and with whom you can communicate.

## **SETTING THE INTERVIEW PROCESS**

Your organization may decide to follow these steps to ensure an effective interview process. Spending some time considering this process can increase your opportunity of finding a consultant that suits your organization's needs and culture, particularly for a large, lengthy or strategic piece of work.

- Determine who will be involved with the interview process.
- Ask others for questions that they would like to ask the candidates.
- Determine how many of your team will conduct interviews. Determine if the interviews will be in person or by conference call.
- Determine a meeting place to meet the candidates (e.g. office location; hotel meeting room; restaurant setting or other public place; etc)
- Set aside some dates for interviewing. Consult your team members for suitable dates.
- Determine how long the meeting time with the candidate will be and whether you need time after each interview to discuss the candidate with your team members.
- Call the candidates and schedule interview meetings with them.
- Determine a process for following up with non-successful candidates.

## **Interviewing**

Choosing a consultant for an important piece of work is somewhat like hiring a term employee (a person who works for you for a specifically contracted time frame). There are some basic things you need to know about the candidate. Some of those may include the following:

- Personality of the consultant
- Communication style of the consultant
- Fit with your organization's culture and particularly with the key people who would work with the consultant

Questions about previous engagements could be similar to the questions you ask the consultant's references:

- Description of previous work; including challenges and successes
- Description of quality control processes and resulting client satisfaction

Other questions should cover the content of the consultant's proposal to your organization.

- These questions are specific to the project and may include discussing the consultant's understanding of your objectives, the timing, and their costing assumptions.
- It is a good idea to ask the candidate if they have any questions about the opportunity. It may help you gauge their level of understanding, experience and critical thinking skills.

***Critical Thinking***



Your questions should help you determine:

- Whether you could develop a long term consulting arrangement, in the event that your organization may have further need of a consultant;
- Whether the consultant understands the nature of your industry;
- Whether the consultant understands the values of your organization and the people in the organization;
- Whether the consultant will work effectively with the organization and listen/respond to its needs and;
- Whether there could be conflicts of interest between your organization and the consultant.

**ESTABLISHING FEES**

When using the RFP process, consultants will have provided their fees and costing assumptions in their proposals. This information can be used for comparative purposes and can be a basis for negotiating the fees with the consultant you choose.

When negotiating, consider the following:

- Consultant's value to you. Value includes the degree of specialization you require as well as the amount and quality of the work provided.
- Your organization's value to the consultant. Some clients or projects are important for the consultant's reputation, allowing you to negotiate on favourable terms.

While you can negotiate, remember that if you negotiate too aggressively, the consultant may have to compromise quality in order to balance your needs with his/hers.

Ensure you conclude your discussion on fees with a specific agreement that can be put in writing later.

Remember to discuss non-fee expenses, such as a consultant's travel time, travel costs, accommodation or meals. Other out-of-pocket expenses may include materials or technology costs. You may wish to ask for a specific dollar limit on such expenses. You may choose to agree to obvious travel or accommodation expenses in advance, or ask to approve expenses as you go. Some consultants price their services as a package that includes certain of these items, and some do not.

**FORMALIZING THE CONSULTANT AGREEMENT**

A consulting agreement between the consultant and your organization are intended to clarify expectations, deliverables, scope of work, fees, timelines, and rights. An agreement ensures that each side understands the nature of the engagement.

While some of the items to consider when creating a consulting agreement are outlined below, they are not a substitute for professional legal advice. Where the cost is material or the timing critical,

you should consider a legal agreement and ensure that you have professional commercial legal advice to have it executed.

### **Scope of Work and Compensation**

- Include a list of deliverables. It is important to specifically outline everything your organization wants the consultant to address. This detail minimizes the risk that the results of the work will be too general for your purposes.
- Refer to an action plan and a timeline for completing stages of work. Penalties for not meeting timelines could be included.
- Refer to reporting structure and frequency
- Refer to quality or standards of work expected
- Refer to confidentiality
- Describe compensation and reimbursement for expenses as negotiated.

### **Independent Contractor**

- Refer to the fact that the consultant is an independent contractor and is not entitled to act or speak on behalf of the organization. The independent contractor is responsible for paying taxes on his/her own behalf and is not entitled benefits, such as pension, health or other employee benefits.

### **Term and Termination**

- The consultant may be hired for a specific term or for the duration of a specific project. The nature of the term should be described
- The consultant and the organization may need to terminate the consulting arrangement. Provisions should be included describing the circumstances or process by which termination of the agreement would occur.

### **Rights and Data**

- Refer to the fact that work performed or information gathered by the consultant for the organization belongs to the organization.

### **Conflict of Interest**

- Some agreements refer to the fact that the organization will not allow the consultant to work for a direct competitor without written consent during the term of the engagement

### **Liability**

- Ensure there is a statement that assigns liability and accountability to the consultant for incorrect information that leads to expensive business consequences.
- Some agreements require a consultant to warrant that s/he has business liability insurance for any issues that may arise.

## **WORKING WITH THE CONSULTANT**

- Your organization must constantly provide clear and detailed communication to the consultant in order to increase accuracy of the work or recommendations. That means it is important for people in your organization to be appropriately available to the consultant while s/he is



Remember: The consultant's role is to provide you with insight and recommendations. You must then independently determine whether their recommendations apply to your organization's circumstances.



working on your project.

### **Setting expectations and working conditions - Determine how you will work together**

It is worth taking time at the outset to determine what the process will be for the consultant to:

- Meet with your steering committee, gather information that they need,
- Get access to you and others when they need to find you.
- Resolve issues that may arise
- Managing any issues between the consultant and members of your team in a productive way

Taking the time to discuss this can avoid a lot of common problems.

### **Communicate among your organization's team and set expectations.**

Ensure that your team understands:

- What the consultant is there to do
- To whom the consultant is directly reporting (to the manager? A steering committee? To your Board?)
- What the consultant's background is
- What you expect from your team in terms of co-operation with the consultant, making themselves available and providing information
- How you will assist in managing any issues that arise

You can see that, the more the team is involved in the decision to hire a consultant, the less of this will be needed after the fact.

### **Set up periodic reviews of the work (if applicable)**

- On a longer project, you may wish to set up a schedule for periodic reviews of the work at certain milestones.
- The milestones may be date based, budget based or event based.
- Determine who will be present at these reviews and what information you will want at them.
- Ensure that the time taken for these reviews is included in your budget, because the consultant will have to prepare for them and perhaps change course (ideally, for the better), as a result of them.

### **Discuss presentation of final results or recommendations**

- Determine how the final results of the work, or the final recommendations, will be presented.
- Determine who will be present for this presentation and what you want covered.
- Ensure that the consultant is aware of your expectations so they can be fully prepared.

### **Consider a Post Project Review**

On some consulting engagements, you may wish to conduct a simple review of how well the work went, and what your organization learned from it.

- This is about the process of the work, not the outcomes. It helps you determine what you might do differently, or the same, if you did a similar project in the future. It may save you time and money on future efforts, and it may help you to streamline how you choose and use consultants.
- Undertaking this kind of review often helps to strengthen your organization's relationship with a valued consultant. They also want to know how they can better work with you.

## Exercises

1. Consider a cooperative and an organization in your local area. What are the fundamental differences that distinguish the cooperative from the business?

Cooperative:

- Meet common needs of the members
- One member – one vote
- Share profits among members

Organization:

- Maximize profit
- Individual personal financial growth

2. How do you become a director of a credit union?
  - Directors are elected by the membership
3. What is the advisory function of the Board?
  - The Board acts in an advisory capacity for both management and the membership
4. What is the project plan?
  - A project plan is a document used as a guide to direct the project team through the execution and control of a project.
5. Analyze your own education and experience as qualification for a project manager. Identity your strengths and weaknesses.
  - Explain why / why not you would make a good project manager.
6. Hiring the right consultant to assist you in developing the feasibility study and/or business plan can be the most important decision a cooperative can make. What are the basic things you need to know about the person?
  - Personality
  - Ability to communicate
  - Organization fit
  - Previous experience
  - Quality control
  - Timing & cost
  - Critical thinking
7. Insuring clear concise communication with your steering committee is critically important when setting expectations for your consultant. To avoid misunderstanding your team should understand five (5) key things:
  - i. What the consultant is here to do?
  - ii. Who will the consultant consult with?
  - iii. What is the consultant's background?
  - iv. What do you expect from the team in terms of cooperation with the consultant?
  - v. How will you assist in managing any issues?